

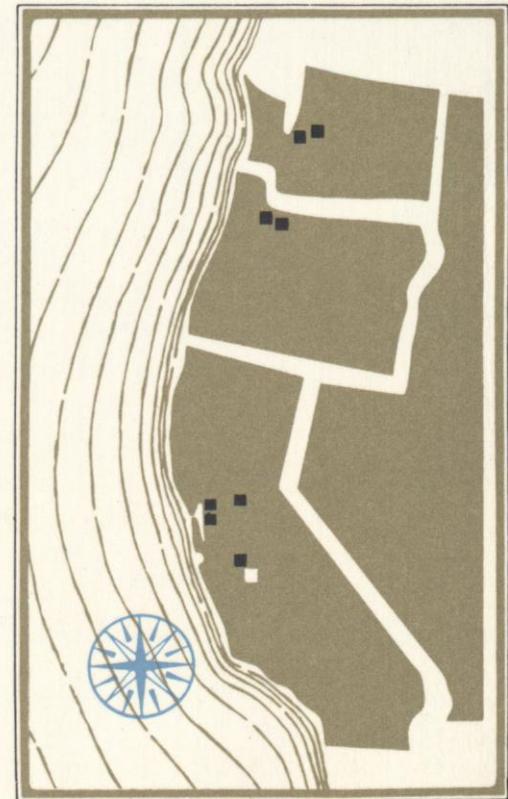
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WESTERN DEPARTMENT STORES ANNUAL REPORT

1959

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BOARD OF DIRECTORS

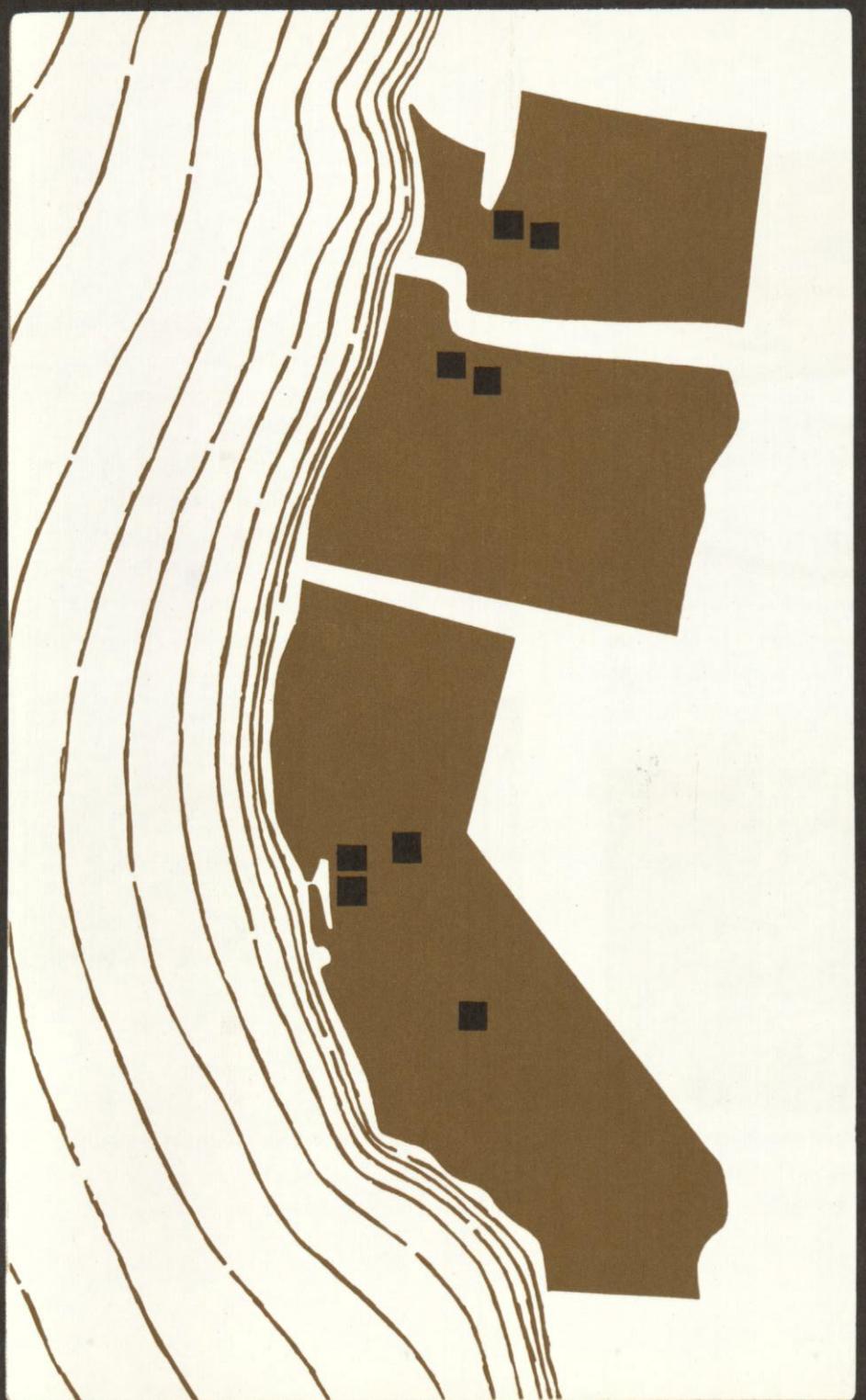
Harold V. Boggs	Elliott McAllister
Herbert E. Clayburgh	John J. Reilly
Herbert I. Dunn	John J. Reilly, Jr.
J. C. Ernst	Lindsay L. Rusch
John J. Goldberg	F. A. Wickett

OFFICERS

John J. Reilly	<i>Chairman of the Board</i>
John J. Reilly, Jr.	<i>President</i>
Lindsay L. Rusch	<i>Secretary and Treasurer</i>
John J. Goldberg	<i>Assistant Secretary</i>

ANNUAL STOCKHOLDERS MEETING

Oakland, California, Tuesday, April 26, 1960, 11:00 o'clock a.m.
1501 Broadway (Kahns, Fourth Floor Offices) Oakland, California



RHODES, Tacoma, Washington

RHODES, Lakewood, Tacoma

OLDS & KING, Portland, Oregon

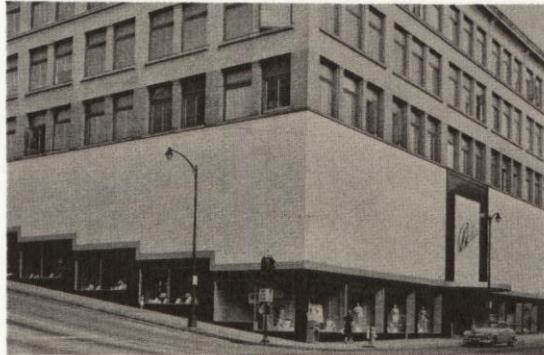
OLDS & KING, Gateway, Portland

RHODES, Sacramento, California

KAHNS, Concord, California

KAHNS, Oakland California

RHODES, Fresno, California



Rhodes, Tacoma . . . under a continuing plan of improvement, has taken aggressive steps to maintain and increase its dominance in the city. In the planning stage is a block-long, three-level garage, an exciting step in downtown development to combat the serious lack of parking space. Already completed is the newly remodeled floor immediately adjacent to the planned parking development.



Rhodes, Lakewood . . . a branch of Rhodes, Tacoma, opened in 1957, is located about 9 miles from down-

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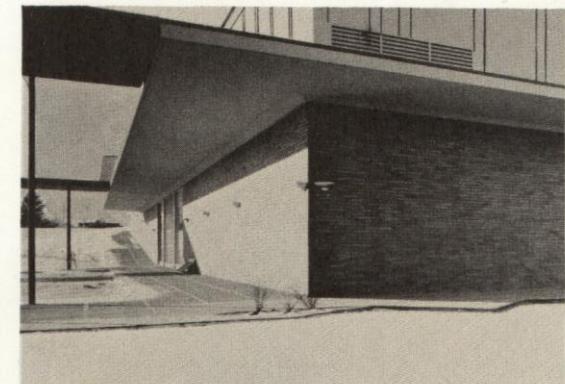
town in a heavily populated area of new homes. With 65,000 square feet on one floor, it serves the shopping needs of the community, provides ample parking, and offers merchandise for every member of the family.



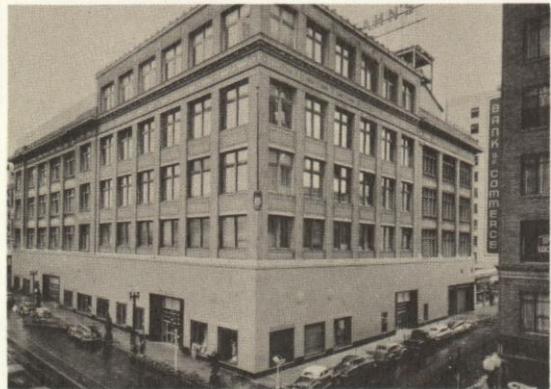
Olds & King, Portland . . . now has a new look. As a continuing step in Western Department Stores modernization program of downtown facilities, the

block square first floor was completely remodeled. Ceilings were lowered; new lighting systems installed; and departments relocated and refixed for easy shopping and efficiency.

New freeways into town, plus two planned bridges in the future, will keep Olds & King easily accessible to Portland shoppers. Portland also is planning for more conventions, more tourists, with the Benson Hotel remodeling, the Sheraton Portland Hotel, and the Hotel Hilton's new structure near Olds & King, downtown.



Olds & King, Gateway . . . now in its fifth year in fast-growing East Portland, continues to exceed all predictions for sales gain. Gateway was the first suburban branch in the Portland area, and has become firmly established in the community.



Kahns, Oakland . . . located in downtown Oakland, is in the center of one of California's most extensive building booms in apartments and office skyscrapers. Quick accessibility to downtown is provided by freeways from the East, North, and South.



Kahns, Concord . . . opened in 1957 in a regional shopping center. Kahns is the major department

store in the midst of specialty, food, and home furnishings stores. The center, in the heart of many new residential developments, is the logical shopping area for the industrial river towns where oil refineries, steel mills, and paper plants bring increasing employment. Concord is destined to become even more accessible within the next few years, as three major transportation routes open. The Benicia bridge will channel traffic across the Sacramento River. In addition, completion of two major freeways, both leading into Concord, will mean increasing growth for the area.

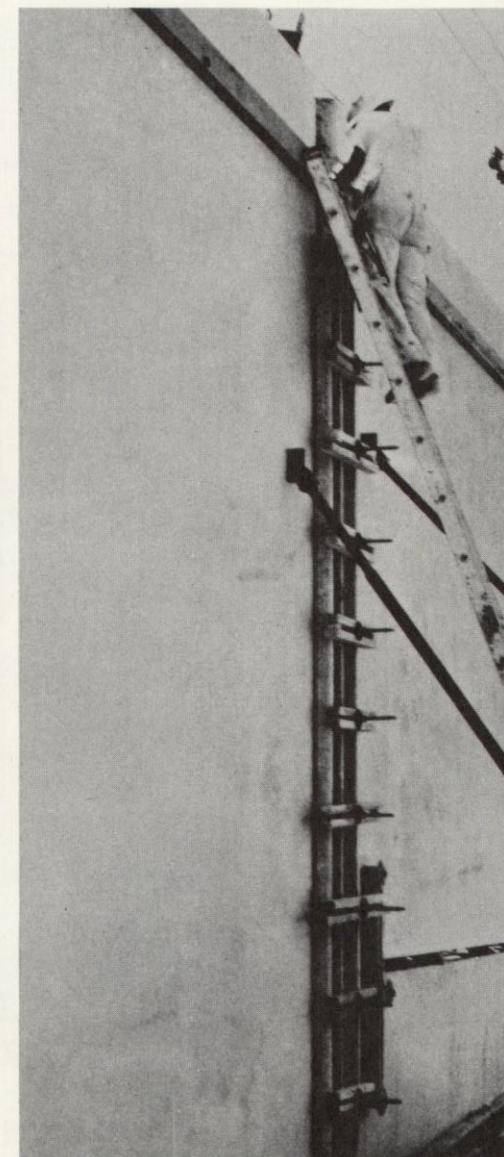
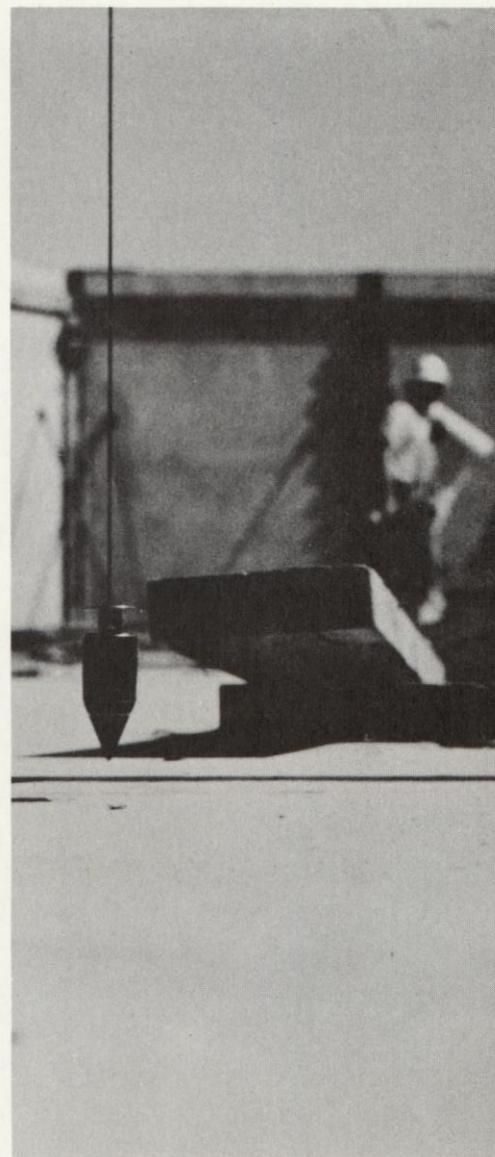
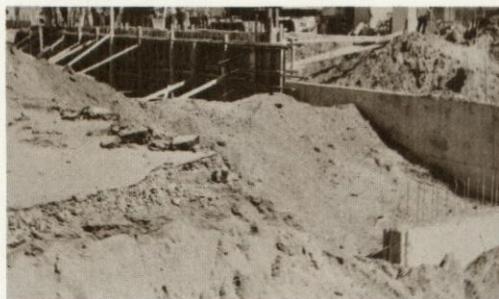


Rhodes, Fresno . . . opened in March, 1959, in suburban Manchester Shopping Center, is the eighth Western Department Store. Rhodes has already shown strong acceptance in a location that draws its customers not only from Fresno, but from the many communities within easy shopping radius. The center is continuing to grow with a number of other

new stores being added in 1960. Growth in the Fresno economy is continuing in the direction of industrial development, resulting from its location halfway between the major market areas of San Francisco and Los Angeles.



Rhodes, Country Club Centre, Sacramento . . . first in Western Department Stores expansion program, was built in 1954. A major store, located in an expanding suburb, Rhodes brought a new name to the city. After five years of steady growth the store is now planning the addition of a new floor.

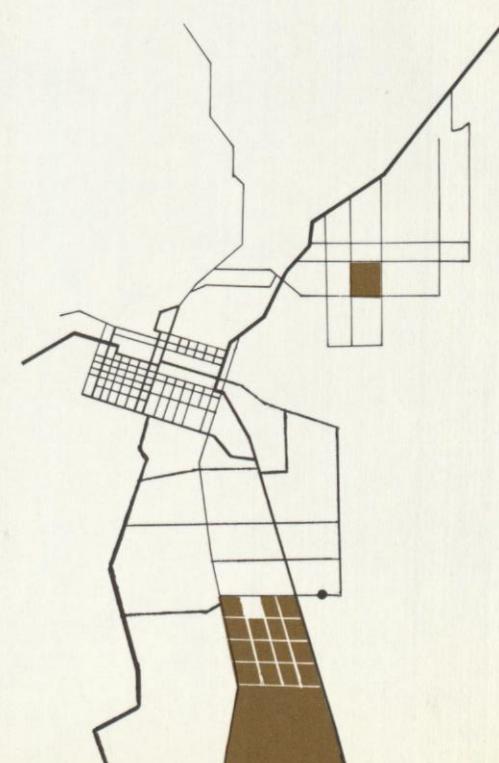


**9
STORES
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1960**

Number 9 . . . Rhodes, Southgate, Sacramento . . . scheduled to open in Fall 1960, as a suburban branch of Rhodes Country Club Centre, is located in the residential and park area of Sacramento with excellent freeways on either side leading from the center and west side of the city. Southgate, like Rhodes, Lakewood, will be 65,000 square feet, all on one level, and will incorporate the latest in design, architectural treatment,

and equipment. Southgate will have the economic advantage of branch store operation, drawing on the Country Club store for receiving, marking, and office services.

For several months financial bulletins have placed Sacramento second among the top ten best business cities of the nation. The California Department of Finance ranks the county population growth among the five top in the State. Aerojet-General's Sacramento plant, opened four years ago with 600 employees, now numbers more than 15,000 personnel. In keeping with Western Department Stores expansion program, Rhodes of Southgate opens in an area that indicates continued growth potential.



TO THE STOCKHOLDERS

The Annual Report includes many facts and figures showing the continued growth of our Company. This factual data does not, however, reflect the history, the people involved, and the future plans of the Company.

Relating the figures to immediate history, the fiscal year ending January 31, 1960, saw the sales volume of the Company reach its highest level, \$46,069,861. This represents a 13% increase over the preceding year.

Even more important, the net earnings for the year increased 27%, and amount to \$2.19 per share. This compares favorably with \$1.72 earned per share last year.

It is particularly gratifying to report that the total earnings of \$1,526,566, are the highest for the company in the post war years.

A dividend of 85¢ a share and amounting to \$595,321 was paid during the year. On February 26, 1960, the Board of Directors voted a quarterly dividend of 25¢ a share which was paid on April 1, 1960.

Again, relating to recent history, our long term, outstanding debt has been reduced to \$7,760,000 by the first scheduled payment of \$440,000 on October 1, 1959.

In brief summary of the figures, our financial position remains strong. In keeping with our goals, the cash position represents the means for continued expansion and growth of the Company.

As the next step in the healthy growth pattern, following on the heels of Concord and Fresno, in June, 1959, a lease was signed for our ninth store. A fifth Rhodes unit, this store is located in a new, suburban shopping area to be known as the Southgate Shopping Center, Sacramento, California. The 65,000 square foot store (approximately the same size as Rhodes, Lakewood) will be operated as a branch of Rhodes, Country Club Center, Sacramento. Opening date is scheduled for the fall of 1960.

As an aid to continuing growth, the corporation moved its executive offices to 1955 Mountain Boulevard, Oakland.

The growth of a company is also measured by its personnel. At the end of the year 2,069 people were employed by the Company. As of January 31, 1960, 1,133 employees were participants in the Company's Profit

Sharing plan. Contributions by the Company to the Profit Sharing Plan and to Health and Welfare plans totaled \$175,184.

These figures relate directly to people, our people. They represent the continuing loyal and enthusiastic people who are helping our company grow.

Following the annual meeting in April, 1959, Mr. J. C. Ernst was elected to the Board of Directors, replacing Mr. Joseph M. Long, who had previously resigned. Mr. Ernst is Chairman of the Board of Lucky Stores, Inc.

For the Board of Directors

John J. Reilly, Jr.
President

John J. Reilly
Chairman of the Board

WESTERN DEPARTMENT STORES ■ BALANCE SHEET

ASSETS

January 31

	<u>1960</u>	<u>1959</u>
Current Assets:		
Cash	\$ 1,536,414	\$ 5,418,129
United States Treasury Bills, at cost	2,994,584	492,242
Accounts receivable, less allowance for doubtful accounts—		
1960, \$396,021; 1959, \$390,202	9,542,428	8,944,980
Merchandise inventories—on hand, at lower of cost or market, as determined by the retail inventory method; in transit, at cost	7,745,446	6,713,753
	<u>\$21,818,872</u>	<u>\$21,569,104</u>
Other assets and deferred charges:		
Unexpired insurance, prepaid taxes and other deferred expenses	\$ 340,454	\$ 306,912
Investments (at cost), deposits and other receivables	207,164	229,653
	<u>\$ 547,618</u>	<u>\$ 536,565</u>
Properties, at cost:		
Land	\$ 96,543	\$ 96,543
Furniture, fixtures, equipment, etc.	6,021,050	5,128,834
Leasehold improvements	3,942,901	3,837,964
Accumulated depreciation and amortization	(5,289,291)	(4,740,784)
	<u>\$ 4,771,203</u>	<u>\$ 4,322,557</u>
	<u><u>\$27,137,693</u></u>	<u><u>\$26,428,226</u></u>

LIABILITIES

January 31

	<u>1960</u>	<u>1959</u>
Current Liabilities:		
Accounts payable	\$ 2,562,598	\$ 2,561,022
Payrolls, taxes, and other accrued liabilities	906,701	832,812
Current installment on notes payable	440,000	440,000
Federal taxes on income, estimated	1,121,770	912,024
	\$ 5,031,069	\$ 4,745,858
Long-term Notes Payable (Note 1)	<u>\$ 7,320,000</u>	<u>\$ 7,760,000</u>
Stockholders' Equity:		
Capital—Authorized, 1,200,000 shares of Common Stock, par value \$.25 per share— represented by 702,728 issued shares, of which 6,162 shares were held in Treasury on January 31, 1960 (Note 2)	\$ 2,236,888	\$ 2,227,001
Retained earnings, per accompanying statement (Note 1)	12,549,736	11,695,367
	\$14,786,624	\$13,922,368
	<u>\$27,137,693</u>	<u>\$26,428,226</u>

STATEMENT OF INCOME

	Year Ended January 31	
	1960	1959
Net sales including leased departments	<u>\$46,069,861</u>	<u>\$40,704,446</u>
Deduct:		
Cost of sales, operating and administrative expenses (exclusive of those shown below)		
less credit service charges	\$41,793,263	\$37,272,285
Depreciation and amortization	751,554	625,280
Contributions under profit-sharing and health, welfare and pension plans	175,184	141,121
Interest expense	342,268	298,520
	<u>\$43,062,269</u>	<u>\$38,337,206</u>
Other income and credits	<u>\$ 3,007,592</u>	<u>\$ 2,367,240</u>
Income before federal income taxes	193,974	108,422
Federal income taxes—estimated	<u>\$ 3,201,566</u>	<u>\$ 2,475,662</u>
Net income for the year	<u>1,675,000</u>	<u>1,270,000</u>
	<u>\$ 1,526,566</u>	<u>\$ 1,205,662</u>
Statement of Retained Earnings		
Retained earnings at beginning of year	<u>\$11,695,367</u>	<u>\$11,046,521</u>
Net income for the year	<u>1,526,566</u>	<u>1,205,662</u>
Less: Cash dividends paid; 1960, \$.85 per share; 1959, \$.80 per share	<u>\$13,221,933</u>	<u>\$12,252,183</u>
Cost of treasury stock purchased	595,321	556,816
Retained earnings at end of year (Note 1)	<u>76,876</u>	<u>76,876</u>
	<u>\$12,549,736</u>	<u>\$11,695,367</u>

NOTES TO FINANCIAL STATEMENTS, JANUARY 31, 1960

Note 1:

The notes bear interest at $4\frac{1}{4}\%$ and are payable to an insurance company in annual installments of \$440,000, with the balance payable on October 1, 1973. The loan agreement places certain restrictions on the payment of cash dividends; retained earnings at January 31, 1960, not so restricted were \$1,208,022.

Note 2:

During the year, 1,000 shares of treasury stock were sold to an executive at \$13.00 per share, payable over a five-year period with interest on the unpaid balance. The proceeds from this sale, \$13,000, less cancellations of sales to employees in prior years of \$3,113, were added to Capital.

In September 1959, the Company adopted a restricted stock option plan for executives and key employees which is subject to the approval of the Company's stockholders at their 1960 annual meeting. The plan reserves 35,000 shares of the Company's unissued capital stock for issuance under restricted options as defined in the Internal Revenue Code. At January 31, 1960, an option expiring in 1964 was outstanding for 5,000 shares at \$19.25 per share and options expiring in 1965 were outstanding for 16,500 shares at \$16.625 per share. The options are exercisable after two years in cumulative annual installments of $3\frac{1}{3}\%$ as to the option expiring in 1964 and 25% as to the options expiring in 1965.

Note 3:

The Company occupies all of its stores under leases which expire at dates from 1972 to 1990. The leases provide for rentals based on sales with a guaranteed minimum. The minimum annual rental obligation under these leases is approximately \$1,200,000. The Company has signed a lease for a location in the Southgate Shopping Center, Sacramento, California, which will become effective when the construction of the store building is completed.

Report of Independent Public Accountants

To the Board of Directors and Stockholders of Western Department Stores

In our opinion, the accompanying statements present fairly the financial position of Western Department Stores at January 31, 1960, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

PRICE WATERHOUSE & CO.

San Francisco

March 21, 1960

SUMMARY

Since 1960 starts a new decade, it seems appropriate to review the history of the Company's growth. Here, then, are the steps that have brought the Company to its present position.

In 1954, expansion began with the location of Rhodes as an independent store in Sacramento, complete with its own buying and management staff. The success of this store, combined with the tremendous growth of the area, has now led to the establishment of a branch operation. Rhodes, Southgate, to be the ninth store, will open in Fall, 1960.

Initial success in Sacramento showed the advantage of locating stores in suburban areas with high growth potentials. In 1956, Olds & King, Gateway, opened its doors in Eastside Portland. Gateway was organized as a branch operation, taking full advantage of advertising and other operating economies. It is the first branch of a major downtown store in the Portland area.

With Gateway as a successful example, both Oakland and Tacoma offered similar opportunities. Moving rapidly, two new branches were opened in 1957; Rhodes, serving the Lakewood suburban area of Tacoma; Kahns, meeting the needs of the extensive East Contra Costa County area in California.

As the downtown stores were growing with branch operations, surveys of new areas were under way. Fresno, California, wealthy in agriculture and growing industrially, became the site of our next suburban store. Rhodes, Fresno, opened in March, 1959, became the eighth Western Department Store.

As of this year, and including the new Southgate branch, Western Department Stores in nine locations, totals more than one million square feet of selling space, operating in three states.

Looking ahead, with experience in both branch and independent operations, Western Department Stores continues its search for further growth areas.

WESTERN
DEPARTMENT
STORES

LEGAL COUNSEL

Steinhart, Goldberg,
Feigenbaum & Ladar

TRANSFER AGENT

Crocker-Anglo National
Bank

No. 1 Montgomery Street
San Francisco 20, Calif.

*INDEPENDENT
PUBLIC ACCOUNTANTS*

Price Waterhouse & Co.

REGISTRAR

Wells Fargo Bank
Montgomery and Market
San Francisco 4, Calif.

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